



Bureau for Private Postsecondary Education
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CITATION: ASSESSMENT OF FINE AND ORDER OF ABATEMENT

To: Dr. Phillip R. Babb
 California International Business University
 520 West Ash Street
 San Diego, CA 92101

INSTITUTION CODE: 3709501
CITATION NUMBER: 1516040
CITATION ISSUANCE/SERVICE DATE: November 5, 2015
DUE DATE: December 4, 2015
FINE AMOUNT: \$ 7,000.00
ORDER OF ABATEMENT INCLUDED: YES

Robert Bayles issues this Citation: Assessment of Fine and Order of Abatement (Citation) in his official capacity as Enforcement Chief of the Bureau for Private Postsecondary Education (Bureau) of the California Department of Consumer Affairs.

CITATION

A Citation is hereby issued to Dr. Phillip R. Babb, Owner of California International Business University located at 520 West Ash Street, San Diego, CA, 92101, pursuant to Business and Professions Code section 125.9; California Education Code (CEC) section 94936; and Title 5 of the California Code of Regulations (5 CCR) section 75020 for the violations described below.

VIOLATION

#	The California Education Code (CEC) and the California Code of Regulations (CCR). Below you will find the code section(s) of law you are charged with violating.
1.	<p>Violation: 5, CCR § 71745(a)(4)(5)(6) – Financial Resources <i>“(a) The institution shall document that it has at all times sufficient assets and financial resources to do all of the following:</i> (4) <i>Pay timely refunds as required by Article 13 of the Act.</i> (5) <i>Pay all operating expenses due within 30 days.</i> (6) <i>Maintain a ratio of current assets to current liabilities of 1.25 to 1.00 or greater at the end of the most recent fiscal year when using generally accepted accounting principles, or for an institution participating in Title IV of the federal Higher Education Act of 1965, meet the composite score requirements of the U.S. Department of Education. For the purposes of this section, current assets does not include: intangible assets, including goodwill, going concern value, organization expense, startup costs, long-term prepayment of deferred charges, and non-returnable deposits, or state or federal</i></p>

grant or loan funds that are not the property of the institution but are held for future disbursement for the benefit of students. Unearned tuition shall be accounted for in accordance with general accepted accounting principles."

An unannounced Compliance Inspection was conducted on March 10, 2015. The inspection included a review of the Institution's audited financial statements for the year ending June 30, 2013. The Institution failed to maintain sufficient finances to pay timely refunds, failed to maintain sufficient finances to pay operating expenses due in 30 days, and failed to maintain sufficient finances to maintain a ratio of current assets to liabilities of 1.25 to 1.00 or greater as required by 5, CCR 71745 (a)(4)(5)(6).

On October 13, 2015, a review of audited financial statements covering the year ending June 30, 2014, indicate the institution failed to maintain a ratio of current assets to current liabilities of 1.25 to 1.00 or greater at the end of the most recent fiscal year as required by 5, CCR 71745 (a)(4)(5)(6). The statement lists current assets at \$75,416 and current liabilities at \$270,093, with a current ratio of 0.21 to 1:00.

Order of Abatement:

The Bureau orders the Institution to submit its most current financial documents pursuant to 5, CCR § 71745(c). The Bureau orders the Institution to submit a written plan on how it will ensure compliance with all aspects of 5, CCR § 71745.

Assessment of Fine

The fine for this violation is \$5,000.00

2.

Violation:

5, CCR § 71920(b)(1)(A) – Student Records

"(a) The institution shall maintain a file for each student who enrolls in the institution whether or not the student completes the educational service. (b) In addition to the requirements of section 94900, the file shall contain all of the following pertinent student records: (1) Written records and transcripts of any formal education or training, testing, or experience that are relevant to the student's qualifications for admission to the institution or the institution's award of credit or acceptance of transfer credits including the following: (A) Verification of high school completion or equivalency or other documentation establishing the student's ability to do college level work, such as the student's completion of an ability-to-benefit test."

An unannounced Compliance Inspection was conducted on March 10, 2015 Bureau staff inspected a random sampling of student records for current, graduated, and withdrawn/incomplete students. None of the student records contained verification of high school completion or its equivalent or successful completion of an ability-to-benefit test for those enrolled in a non-degree certificate program. A Notice to Comply was issued and the institution responded by letter with the following: "We agree with the minor violation listed in the Notice to Comply. We have amended our University Catalog-please see enclosed-to include the admission requirement; specifically for certificate programs, which was the area of noncompliance. Language has also been changed on all University publications including brochures, applications, and online." The Institution's response, among

other things, does not address the Institution's lack of documentation establishing verification of high school completion or equivalency as required by 5, CCR § 71920(b)(1)(A).

Order of Abatement:

The Bureau orders the Institution to submit a list of all students enrolled in non-degree certificate programs between April 1, 2015 and October 1, 2015 and provide copies of documents verifying completion of high school or equivalency or completion of an ability-to-benefit test as required by 5, CCR § 71920(b)(1)(A).

Assessment of Fine

The fine for this violation is \$2,000.00

TOTAL ADMINISTRATIVE FINE DUE: \$7,000.00

ASSESSMENT OF A FINE

In accordance with CEC section 94936; and 5 CCR Sections 75020 and 75030, the Bureau hereby orders this assessment of fine in the amount of **\$7,000.00** for the violations described above. **Payment must be made, to the Bureau, within 30 days from the date of service of the Citation.**

ORDER OF ABATEMENT

In accordance with the provisions of CEC Section 94936 and 5 CCR Section 75020 the Bureau hereby issues the order(s) of abatement described above. **Evidence of compliance with the order(s) of abatement must be submitted, to the Bureau, within 30 days from the date of service of the Citation.**

BACKGROUND

An unannounced Compliance Inspection was conducted on March 10, 2015. The inspection included a review of the Institution's audited financial statements for the year ending June 30, 2013. The Institution failed to maintain sufficient finances to pay timely refunds, failed to maintain sufficient finances to pay operating expenses due in 30 days, and failed to maintain sufficient finances to maintain a ratio of current assets to liabilities of 1.25 to 1.00 or greater as required by 5, CCR 71745 (a)(4)(5)(6). Bureau staff inspected a random sampling of student records for current, graduated, and withdrawn/incomplete students. None of the student records contained verification of high school completion or its equivalent or successful completion of an ability-to-benefit test for those enrolled in a non-degree certificate program. A Notice to Comply was issued and the institution responded by letter with the following: "We agree with the minor violation listed in the Notice to Comply. We have amended our University Catalog-please see enclosed-to include the admission requirement; specifically for certificate programs, which was the area of noncompliance. Language has also been changed on all University publications including brochures, applications, and online." The Institution's response, among other things, does not address the Institution's lack of documentation establishing verification of high school completion or equivalency as required by 5, CCR § 71920(b)(1)(A).

On October 13, 2015, a review of audited financial statements covering the year ending June 30, 2014, indicate the institution failed to maintain a ratio of current assets to current liabilities of 1.25

to 1.00 or greater at the end of the most recent fiscal year as required by 5, CCR 71745 (a)(4)(5)(6). The statement lists current assets at \$75,416 and current liabilities at \$270,093, with a current ratio of 0.21 to 1:00.

APPEAL OF CITATION

You have the right to contest this Citation through an informal conference with the Bureau; and/or through an administrative hearing in accordance with Chapter 5 (Commencing with Section 11500) of Part 1 of Division 3 of Title 2 of the Government Code.

If you wish to contest this Citation, you must submit the 'Notice of Appeal of Citation – Request for Informal Conference and/or Administrative Hearing' form (enclosed) within 30 days from the date of service of the Citation. *If you do not request an informal conference and/or an administrative hearing within 30 days from the service of the Citation, you will not be able to request one at a later time.*

Unless a written request for an informal conference and/or an administrative hearing is signed by you and delivered to the Bureau by **December 4, 2015**, you will be deemed to have waived or forfeited your right to appeal this matter.

EFFECTIVE DATE OF CITATION

If you do not request an informal conference and/or an administrative hearing, this Citation shall become effective on **November 5, 2015**. Payment of the administrative fine and evidence of compliance with the order(s) of abatement shall be due by **December 4, 2015**. Your payment of the administrative fine shall not constitute an admission of the violation(s) charged.

If a hearing is requested, you will not be required to comply with this Citation until 30 days after a final order is entered against you.

Payment of the administrative fine and/or written request for appeal must be mailed to:

Jody Wright, Discipline Citation Program
Bureau for Private Postsecondary Education
2535 Capitol Oaks Drive, Suite 400
Sacramento, CA 95833

Failure for an applicant or institution to abate the violation(s) listed above or to pay the administrative fine within the time allowed may result in denial of an application for an approval or renewal to operate; disciplinary action, and/or collection action. The Bureau will promptly take all appropriate action to enforce this Citation and recover the civil penalties prescribed therein or found to be due after a hearing.

CONTACT INFORMATION

If you have any questions regarding this Citation, or desire further information, please contact Jody Wright, Enforcement Analyst, at 916-431-6940 or Jody.Wright@dca.ca.gov.



Robert Bayles
Enforcement Chief

November 5, 2015

Date

Enclosures

- Applicable Laws Violated
- Statement of Rights: Appeal Process Information Sheet
- Notice of Appeal of Citation: Request for Informal Conference and/or Administrative Hearing
- Payment of Fine - Waiver of Appeal
- Declaration of Service by Certified and First Class Mail

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